

Statement on principal adverse impacts of investment decisions on sustainability factors'

Principal adverse sustainability impacts statement pursuant to Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports

Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

<p>Financial market participant: Hy24 SAS</p>
<p>Summary</p> <p>Hy24 SAS (LEI: 894500DKJMG8RK012S68), considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts (PAI) on sustainability factors of Hy24.</p> <p>This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.</p> <p><u>Summary of the principle adverse impacts:</u></p> <p>Hy24 was managing one fund over the reference period, the Clean H2 Infra Fund. This Fund is an Article 9 fund, as such all investments are sustainable investments. Based on data reported through PAI reporting and information obtained during its engagement campaign, Hy24 can conclude that no significant harm was done to any environmental and social objectives by the investments of the Fund.</p> <p>Hy24 tracks all mandatory indicators for principle adverse impacts as well the following relevant additional indicators (“optional” PAI indicators):</p> <ul style="list-style-type: none">- Existence of a workplace accident prevention policy- Share of investments in investee companies whose operations affect threatened species- Rate of accidents- Number of days lost to injuries, accidents, fatalities, or illness <p>These additional PAI indicators were selected because of their materiality to the infrastructure development sector, as well as based on reporting requirements from Limited Partners, to ensure that the management company can answer its own reporting obligations.</p> <p><u>Résumé des principales incidences négatives :</u></p> <p>Hy24 g�rait un unique fonds au cours de la p�riode de r�f�rence, le fonds Clean H2 Infra. Ce fonds est class� article 9 et tous les investissements sont donc des investissements durables. Sur la base des donn�es report�es via le reporting PAI et des informations obtenues lors de sa campagne d'engagement aupr�s de ses participations, Hy24 peut conclure qu'aucun pr�judice significatif n'a �t� caus� � l'un des objectifs environnementaux et sociaux � travers les investissements du fonds.</p> <p>Hy24 suit tous les indicateurs obligatoires pour calculer les principales incidences n�gatives ainsi que les indicateurs suppl�mentaires suivants (indicateurs PAI « optionnels ») :</p>

- Existence d'une politique de prévention des accidents du travail
- Part des investissements dans des entreprises dont les activités affectent des espèces menacées
- Taux d'accidents
- Nombre de jours perdus en raison de blessures, d'accidents, de décès ou de maladies

Ces indicateurs PAI supplémentaires ont été sélectionnés en raison de leur matérialité pour le secteur du développement des infrastructures et en fonction des exigences de reporting des *Limited Partners*, afin que la société de gestion soit en mesure de répondre à ses propres obligations en matière de reporting.

Description of the principal adverse impacts on sustainability factors
Indicators applicable to investments in investee companies

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator (1/3)		2022 Impact	Explanation	Actions taken, actions planned, and targets set for the next reference period
1. GHG emissions	Scope 1 GHG emissions	1 tCO2eq.	<u>Perimeter:</u> CleanH2 Infra Fund, 3/3 portfolio companies	<u>Ambitions and targets:</u> Hy24’s investment thesis is based on the belief that, by investing in projects which produce and/or consume clean hydrogen, Hy24 will directly contribute to the avoidance of carbon emissions with a view to support the long-term global warming objectives of the Paris agreement . The focus of the assets is therefore to expand their activities that will contribute to the decarbonisation of the transport and energy sectors while limiting the emissions related to their operations . <u>Measures and expected evolutions:</u> Given that some of the assets are yet to start or just starting operations, the GHG footprint of the Fund will increase in future years . In addition, Hy24 is also encouraging the expansion of the assessment of Scope 3 emissions . This improvement of reporting completeness will lead to an increase of emissions for methodological reason. On the other hand, the alignment of activities with climate change mitigation technical criteria ensures their participation with the energy transition and thus limited GHG emissions.
	Scope 2 GHG emissions - MB¹	316 tCO2eq.	<u>Results explanation:</u> The carbon assessment represents the share of emissions generated by portfolio Companies and their projects attributable to the Fund, based on the share of ownership.	
	Scope 2 GHG emissions - LB²	1,029 tCO2eq.	As early as the pre-investment phase, Hy24 paid close attention to the design choices of planned investments , to ensure that they would align with policy objectives pursued by the relevant jurisdiction (e.g., European Green Deal), and result in the production of hydrogen or low carbon gases meeting the criteria to be considered “green” . Consequently, Hy24 made investments in companies whose scope 1 and 2 emissions are quite limited.	
	Scope 3 GHG emissions	956 tCO2eq.		
	Total GHG emissions - MB¹	1,273 tCO2eq.		
	Total GHG emissions - LB²	1,986 tCO2eq.		
2. Carbon footprint³		32 tCO2eq. / €M investment	The assessment of Scope 3 GHG emissions remains relatively limited in 2022. Indeed, one project has not calculated its Scope 3 and other have limited their assessment to a restricted list of most material sources. The project that has not calculated Scope 3 emissions is not included in the calculation of the GHG intensity.	
3. GHG intensity of investee companies³,⁴		188 tCO2eq. / €M revenues		

¹ Market-based

² Location-based

³ Calculated using market-based total emissions

⁴ This indicator does not include Hy2Gen as the Company is not generating any revenue and therefore its carbon intensity cannot be calculated

Adverse sustainability indicator (2/3)	2022 Impact	Explanation	Actions taken, actions planned, and targets set for the next reference period
4. Exposure to companies active in the fossil fuel sector	0% share of investment	<p><u>Perimeter:</u> Clean H2 Infra Fund, 3/3 portfolio companies</p> <p><u>Results explanation:</u> In 2022, the Fund completed three transactions in European companies specialised in the development and operation of clean hydrogen infrastructure. In alignment with the Fund investment strategy and Hy24 Responsible Investment Policy, no investment was made in companies active in the fossil fuel sector.</p>	<p><u>Ambitions and targets:</u> Hy24 plans to continue following the investment strategy defined for the Fund.</p>
5. Share of non-renewable energy consumption and production	0% share of non-renewable energy production	<p><u>Perimeter:</u> Clean H2 Infra Fund, 1/3 portfolio companies (energy production) / 3/3 portfolio companies (energy consumption)</p> <p><u>Results explanation:</u> EGR is the only asset that started to produce energy. The production is 100% biomethane and renewable electricity from photovoltaic power. All three assets mostly consume electricity for office needs. No project has started hydrogen production. In the case of H2Mobility, hydrogen losses were considered as energy consumed.</p>	<p><u>Ambitions and targets:</u> The goal of the Fund is to continue producing renewable energy. To that extent the energy consumption should also be from renewable sources.</p> <p><u>Measures and expected evolutions:</u> With the support of HY24, assets will develop electricity and hydrogen procurement that will increase the share of renewable energy consumption.</p>
	42% share of non-renewable energy consumption		
6. Energy consumption intensity per high impact climate sectors	0.015 GWh / €M revenues	<p><u>Perimeter:</u> Clean H2 Infra Fund, 3/3 portfolio companies</p> <p><u>Results explanation:</u> All the companies of the Fund are classified in high impact climate sectors. In particular, portfolio companies have activities in the sectors of energy, manufacture, and transport.</p>	<p><u>Measures and expected evolutions:</u> Hy24 will support the assets reducing their energy consumption intensity notably through the limitation of H2 leaks in distribution activities and by using the most efficient technologies in hydrogen production.</p>

Adverse sustainability indicator (3/3)	2022 Impact	Explanation	Actions taken, actions planned, and targets set for the next reference period
7. Activities negatively affecting biodiversity sensitive areas	0% share of investment	<p><u>Perimeter:</u> Clean H2 Infra Fund, 3/3 portfolio companies</p> <p><u>Results explanation:</u> The protection of biodiversity is included in the action plans developed by HY24 for its portfolio companies. As the Fund targets the Taxonomy-alignment of its activities, the monitoring and mitigation of biodiversity impact is central in the development of hydrogen production and distribution infrastructures. The fund supports its portfolio companies by reviewing documentation related to EIA and EIA screening and providing adequate frameworks for biodiversity impact assessment.</p>	<p><u>Measures:</u> Hy24 will continue monitoring biodiversity related metrics and supporting assets in the completion of biodiversity impact assessment in relation to the objective of Taxonomy-alignment of the Fund.</p>
8. Emissions to water	0 tons / €M investment	<p><u>Perimeter:</u> Clean H2 Infra Fund, 3/3 portfolio companies</p> <p><u>Results explanation:</u> No portfolio company generated emissions of phosphates, nitrates, pesticides, or any priority substances over the reporting period.</p>	<p><u>Measures:</u> Hy24 monitors portfolio companies' potential emissions to water through the ESG Monitoring Framework developed for the Fund. Hy24 will continue requesting portfolio companies to report on this indicator in the following years.</p>
9. Hazardous waste	0.01 tons / €M investment	<p><u>Perimeter:</u> Clean H2 Infra Fund, 3/3 portfolio companies</p> <p><u>Results explanation:</u> EGR and H2Mobility reported hazardous waste generated respectively by the maintenance procedure of the operational project UNUE and by the decommissioning of hydrogen refuelling stations. Both Company generated less than 0.2 ton of hazardous waste per €M of revenue, compared to around 7 tons per €M of GDP in Europe⁵.</p>	<p><u>Measures:</u> Hy24 monitors portfolio companies' hazardous waste through the ESG Monitoring Framework developed for the Fund. Hy24 will continue requesting portfolio companies to report on this indicator in the following years.</p>

⁵ Eurostat. « [GDP and main components \(output, expenditure and income\)](#) » and Eurostat « [Generation of waste by waste category, hazardousness and NACE Rev. 2 activity](#) »

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator (1/2)	2022 Impact	Explanation	Actions taken, and actions planned, and targets set for the next reference period
10. Investment in companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0% share of investments	<p><u>Perimeter:</u> Clean H2 Infra Fund, 3/3 portfolio companies</p> <p><u>Results explanation:</u> Hy24 tracks the outcomes of internal processes through the ESG Data Monitoring Framework, which allowed it to control that no violation of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights occurred in 2022. This included the verification of court cases and breaches of the law on corruption, taxation, and fair competition, as well as any incident and complaints on any social, labour, gender-based violence, sexual exploitation and abuse, health and safety, security, reprisals or environmental incident, accident, or circumstance.</p>	<p><u>Measures:</u> The verification of the absence of business ethics and human rights conviction and controversy is part of Hy24's due diligence process.</p> <p>Furthermore, during the holding period, Hy24's action plan monitors the implementation of material measures that mitigates the risks of violation of human rights or business ethics principles in line with the Taxonomy requirements regarding minimum social safeguards.</p>
11. Investment in companies with a lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	0% share of investments	<p><u>Perimeter:</u> Clean H2 Infra Fund, 3/3 portfolio companies</p> <p><u>Results explanation:</u> All portfolio companies have implemented processes and compliance mechanisms related to business ethics and human rights.</p>	<p><u>Ambitions and targets:</u> The alignment of portfolio companies' activities with the OECD guidelines for MNEs and the UN GC Principles is an integral part of Hy24's engagement campaign as it allows to confirm the compliance with minimum safeguards of the Regulation (EU) 2020/852.</p> <p><u>Measures:</u> Through its ESG Monitoring Framework, Hy24 supported portfolio companies in reinforcing their internal processes and compliance mechanisms. For instance, H2M was able to update its compliance guidelines to reinforce its expectations of employees on matters of corruption, antitrust and conflict of interests. Similarly, EGR developed its own internal policies as the policies of its parent company, Enagas, stopped applying to the company as of July 2022.</p>

https://ec.europa.eu/eurostat/databrowser/view/NAMA_10_GDP/default/table?lang=en&category=na10.nama10.nama_10_ma, and Eurostat « Generation of waste by waste category, hazardousness and NACE Rev. 2 activity ». https://ec.europa.eu/eurostat/databrowser/view/env_wasgen/default/table?lang=en.

			Hy24 also supported portfolio companies in the development of their internal control measures , starting with the nomination of ESG referent for H2M and Hy2Gen, who took responsibility for monitoring compliance with the OECD Guidelines for MNEs and UNGP principles.
Adverse sustainability indicator (2/2)	2022 Impact	Explanation	Actions taken, actions planned, and targets set for the next reference period
12. Unadjusted gender pay gap	15% average gender pay gap	<p><u>Perimeter</u>: Clean H2 Infra Fund, 3/3 portfolio companies</p> <p><u>Results explanation</u>: Portfolio companies reported a consolidated unadjusted gender pay gap of 15% in 2022. At the end of 2022, total employees within portfolio companies ranged from 27 to 55.</p>	<p><u>Measures and expected evolutions</u>: Although the alignment with regulatory requirements has been a priority for the first engagement campaign, the topic on diversity and inclusion has been fully integrated into the ESG Monitoring Framework. A dedicated measure was integrated into each individual Action Plans, requiring companies to include a specific diversity and inclusion section in the HR policy to affirm the commitment of the organisation to improve diversity and inclusion within the organisation.</p> <p>At the end of 2022, portfolio companies are still in the process of drafting their internal policies on the topic. While H2M is in the process of recruiting an HR manager to undertake the drafting of the general HR policy, EGR and Hy2Gen are including diversity and inclusion commitments in their respective code of ethics and Policy on the Integrated Management System.</p>
13. Board gender diversity	25% percentage of female members in governing bodies	<p><u>Perimeter</u>: Clean H2 Infra Fund, 3/3 portfolio companies</p> <p><u>Results explanation</u>: Female board members represented 23% of all board members of portfolio companies in 2022. The share of women in board ranged from 0% to 29% across portfolio companies.</p>	
14. Exposure to controversial weapons (anti-personal mines, cluster munitions, chemical weapons, and biological weapons)	0% share of investments	<p><u>Perimeter</u>: Clean H2 Infra Fund, 3/3 portfolio companies</p> <p><u>Results explanation</u>: In alignment with the Clean H2 Infra Fund investment strategy and Hy24 Responsible Investment Policy, no investment was made in companies active in the weapons industry.</p>	<p><u>Measures</u>: Hy24 plans to continue following the investment strategy defined for the Fund.</p>

Other indicators for principal adverse impacts on sustainability factors

Additional climate and other environment-related indicators

Adverse sustainability indicator		2022 Impact	Explanation	Actions taken, and actions planned, and targets set for the next reference period
14. Natural species and protected areas	1. Operations affecting threatened species	0% share of investment	<p><u>Perimeter:</u> Clean H2 Infra Fund, 3/3 portfolio companies</p> <p><u>Results explanation:</u> The protection of biodiversity is included in the action plans developed by HY24 for its portfolio companies. As the Fund targets the Taxonomy-alignment of its activities, the monitoring and mitigation of biodiversity impact is central in the development of hydrogen production and distribution infrastructures. The fund supports its portfolio companies by reviewing documentation related to EIA and EIA screening and providing adequate frameworks for biodiversity impact assessment.</p>	<p><u>Measures:</u> Hy24 will continue monitoring biodiversity related metrics and supporting assets in the completion of biodiversity impact assessment in relation to the objective of Taxonomy-alignment of the Fund.</p>

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability indicator		2022 Impact	Explanation	Actions taken, and actions planned, and targets set for the next reference period
1. Investments in companies without workplace accident prevention policies		0% share of investments	<p><u>Perimeter:</u> 3/3 portfolio companies</p> <p><u>Results explanation:</u> All portfolio companies have implemented a workplace accident prevention policy. For companies operating infrastructure projects on which they do not have operational controls, equivalent policies are applied at the project level.</p>	<p><u>Measures:</u> Through its action plan, Hy24 supported portfolio companies in implementing workplace accident prevention policies and monitoring safety-incidents.</p>
2. Rate of accidents		0 accidents per millions of hours worked	<p><u>Perimeter:</u> 3/3 portfolio companies</p> <p><u>Results explanation:</u> No accidents were recorded in portfolio companies for the year 2022.</p>	<p>The existence of policies and management systems to reduce safety risks is an integral part of Hy24's engagement campaign as it allowed to confirm the compliance with minimum safeguards of the Regulation (EU) 2020/852.</p>

3. Number of days lost to injuries, accidents, fatalities, or illness	0 days lost	<u>Perimeter:</u> 3/3 portfolio companies <u>Results explanation:</u> No day-lost due to work-related injuries, accidents, fatalities or illness were recorded for the year 2022 in portfolio companies.	
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Description of policies to identify and prioritise principal adverse impacts on sustainability factors

To achieve its sustainable investment objective and avoid significant harm to any sustainability factors, Hy24 integrates sustainability risks and opportunities into all phases of its investment process. To that end, Hy24 has developed a specific approach and resources to ensure ESG objectives are successfully met, including the identification and prioritisation of principle adverse impacts. This approach is outlined in Hy24's Responsible Investment Policy, which latest version was revised in June 2023.

The responsibilities for the operational implementation of the Responsible Investment Policy are allocated as such:

- The Investment team: the Responsible Investment Policy is directly implemented by Hy24's investment teams, who are responsible for deal flow screening, due diligences and engagement with portfolio companies.
- The ESG team: Composed of Hy24's General Counsel and ESG and Public Affairs Officer, with the support of a team of dedicated analysts, the ESG team supports investment teams in the implementation of the Responsible Investment Policy through sustainability-specific expertise. The team is also in charge of implementing portfolio-level aspects of the Policy, including LP reporting and overall portfolio performance review.
- The ESG working group: Composed of Hy24's ESG team, some members of Hy24's investment team as well as representatives of Ardian's ESG team, the ESG working group is in charge of defining the ESG initial framework, including the Responsible Investment Policy and of overseeing the implementation of the Fund's ESG Policy.
- The Sustainability Committee: On a strategic level, a Sustainability Committee has been formed to review the Responsible Investment Policy and the Fund's level of alignment with its sustainability objectives.

Hy24 tracks all mandatory indicators for principle adverse impacts as well the following relevant additional indicators ("optional" PAI indicators):

- Existence of a workplace accident prevention policy
- Share of investments in investee companies whose operations affect threatened species
- Rate of accidents
- Number of days lost to injuries, accidents, fatalities, or illness

These additional PAI indicators as referred to in Article 6(1), points (a), (b) and (c) were selected because of their materiality to the infrastructure development sector, as well as based on reporting requirements from Limited Partners, to ensure that the management company can answer its own reporting obligations. Though the additional PAI indicators were selected based on the perceived materiality to the infrastructure development sector, it does not mean that other optional PAI indicators are never material to Hy24's investments.

Principal adverse impacts on sustainability factors are **considered from pre-investment and throughout the holding period**. To track these indicators, Hy24 undertakes an **engagement campaign with its portfolio companies, through which an important emphasis is given to ESG data monitoring**. The scope of reporting for Principal Adverse Impact indicators includes all portfolio companies' operational projects. Projects that are still in the investment or project development phase are not included, as most PAI indicators are not relevant before start of operations.

Hy24 has consolidated these PAI indicators at the portfolio company level following a proportional approach, which means that indicators have been weighted according to the level of ownership of portfolio companies within their own projects. Hy24 believes that this approach better reflects the principal adverse impact of its portfolio companies, and thus of its Fund. The disclosure of PAI indicators consolidated at the Fund and Hy24 levels follows the consolidation methodology provided by the considerations laid out in Annex 1 of the Delegated Regulation 2022/1288.

Hy24 strives to respect some principles and key steps to **ensure the quality of data and therefore the accuracy of its reporting**. These include for instance:

- Providing portfolio companies with a clear data reporting protocol based on regulatory definitions and reference organisations and standards (e.g. GHG protocol).
- Agreeing with portfolio companies on the completion of an action plan resulting from the due diligence conducted (see more detailed in the "Engagement policies" section below) within a reasonable timeframe following the investment (e.g., 18 months). This action plan supports the investee companies in the definition of a robust reporting methodology.
- Reviewing the methodologies and calculation details of complex indicators (carbon footprint, lifecycle emissions of generated energy) and providing support to portfolio companies if needed.
- Verifying the completeness and accuracy of reported data and following up with portfolio companies on every data point that need further explanations.
- Being transparent with portfolio companies and stakeholder, including LPs, on the limitations of the methodologies and data reported.

Engagement policies

Hy24's investment procedures ensures that **ESG considerations are raised and answered throughout the entire lifecycle** of its financial product, which implies that principal adverse impacts of investments on sustainability factors are fully considered. The key features of this approach applied in 2022 are the following:

I. Preliminary screening: As Hy24 refrains from investing in activities that are not in line with its sustainability objectives during the pre-investment stage, it conducts a preliminary screening to **ensure that the opportunity is aligned with the Fund's sectoral targets and strategic purpose.**

II. Sustainability (ESG) due diligence: Hy24 engaged in the **development of its own approach** to sustainability due diligence, with the goal of **integrating sustainability and policy aspects in its analysis of investment opportunities.** The approach of the sustainability due diligences selected by Hy24 is one that merges sustainable finance requirements, specifically those of the SFDR and EU Taxonomy, with **ESG materiality analysis.** The sustainability due diligences performed in 2022 **revealed no concerns** for Hy24 with regards to any potential negative impacts on the sustainable factors.

III. Investment decisions and Action plans: A summary of the sustainability due diligence analysis was **included in investment memoranda submitted to the Investment Committee.** The investment decisions included an **agreement with the investee companies on the completion of the Action Plan** resulting from the due diligence within a reasonable timeframe following the investment (e.g., 18 months).

IV. Engagement campaign throughout the holding period: In 2022, Hy24 undertook an engagement campaign with its portfolio companies, **with the goal of improving their maturity on ESG priorities, building internal capacity within each asset** and, if it was not yet the case, **assisting them to comply with the regulatory requirements of the SFDR and the EU Taxonomy.** In doing so, Hy24 ensures that portfolio companies are **committed to maximising their positive impact and minimising their potential negative impact on their stakeholders and the environment.** This engagement campaign was also key for Hy24 to meet its ambitions of fostering the hydrogen infrastructure in a sustainable way. To do so, Hy24's ESG team developed, with the support of external consultants, an **ESG Monitoring Framework**, which compiled an Action Plan, made up of concrete measures and actions to be implemented by portfolio companies for them to align with the criteria of the EU Taxonomy, and a Data Monitoring Sheet to collect and track the sustainability KPIs and PAI indicators. These Action Plans act as road maps for the portfolio companies, defining their priorities for ESG implementation (including the management of principle adverse impacts), and guiding them in understanding the regulatory context by translating regulatory requirements into actionable measures.

Hy24 also meets on a quarterly basis with its portfolio companies to discuss updates and provide them with technical and regulatory support for the realisation of the ESG Monitoring Framework. Maintaining a coherent and consistent dialogue with portfolio companies also implies a **coordination and alignment of ESG ambitions with co-investors.** In 2022, Hy24 met several times with the co-investors for its portfolio companies to discuss their ESG priorities, the Action Plans set for portfolio companies and organisations in terms of ESG reporting.

The ESG Monitoring Framework was therefore **instrumental in managing negative impacts of portfolio companies.** In particular, it allowed the tracking of PAI indicators and the alignment with the UNGP Principles and OECD Guidelines for Multinational Enterprises.

As part of the sustainable investment approach described above, Hy24 considers all the indicators for adverse impacts in Table 1 ("mandatory" PAI indicators) as well as relevant indicators in Tables 2 and 3 ("optional" PAI indicators) of the Annex. Among the relevant indicators in Tables 2 and 3, Hy24 has especially selected the following indicators:

- Existence of a workplace accident prevention policy
- Share of investments in investee companies whose operations affect threatened species
- Rate of accidents
- Number of days lost to injuries, accidents, fatalities, or illness

References to international standards

Alignment with international climate objectives

The Fund has a sustainable investment objective in the meaning of Article 9 of the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial sector (“SFDR”). This sustainable investment objective is to contribute to climate change mitigation, through the funding of low-carbon hydrogen projects. As such, **Hy24 has aimed to align its assets with the EU Taxonomy criteria for contributing to climate change mitigation.** By investing in low-carbon hydrogen production, storage and distribution, the **Fund is thus directly contributing to reducing and/or avoiding carbon emissions with a view to support the long-term global warming objectives of the Paris agreements.**

The attainment of the sustainable investment objective of climate change mitigation is monitored throughout the lifecycle of the financial product through the reporting by portfolio companies of their **taxonomy alignment** towards this objective and of **sustainability indicators**. As all investments are directly contributing to and enabling climate change mitigation, the use of a forward-looking decarbonisation scenario is not relevant.

The **following sustainability indicators** are used to measure the attainment of the abovementioned objective:

- GhG emissions intensity for the manufacture of hydrogen (tCO₂e/tH₂)
- Avoided CO₂ emissions (tCO₂e)
- GhG intensity of energy production (tCO₂e/GWh)
- Share of renewable energy consumed (%)
- Share of renewable energy produced (%)

The data covers all investments in operational projects and is directly reported by portfolio companies of financial products. Hy24 tries as much as possible to rely on national, European or internationally recognised standards for the reporting of climate-related indicators. As such, it mainly relies on recommendations of the GHG Protocol and the Draft ESRS of the EFRAG as reporting guidance.

Alignment with international standards on business ethics

The alignment of the investments of the Fund with the **OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights** is also verified by Hy24 at several steps of the investment process, including as early as the due diligence phase, and throughout the engagement campaign.

An initial assessment of the alignment of portfolio companies with the OECD guidelines for MNEs and the UNGP on Business and Human Rights is performed during the sustainability due diligence. This includes an appraisal of the materiality of social and governance risks, as well as the maturity of potential portfolio companies on these topics. Hy24 also requests all necessary information to confirm that the portfolio companies' governance practices are sufficiently robust. In any cases where Hy24 identifies a lack of procedures or documentation, corrective measures are included in portfolio companies' individual Action Plans. Such measures include for instance the formalisation of codes of conducts, the expansion of alert systems to different stakeholder groups, or the update of internal policies regarding anti-corruption or taxation.

During its engagement campaign, Hy24 then looks specifically at the way portfolio companies manage four key topics: human rights (including labour and consumer rights), corruption and bribery, taxation, and fair competition. Hy24's ESG Monitoring Framework allows not only to identify and improve procedures in place on these topics through the individual Action Plans, but also to track the outcomes of these procedures thanks to the ESG Data Monitoring Sheet.

Historical comparison

Not applicable as it is the first year that Hy24 reports on principal adverse impacts on sustainability factors.

Template principal adverse sustainability impacts statement

For the purposes of this Annex, the following definitions shall apply:

- (1) ‘scope 1, 2 and 3 GHG emissions’ means the scope of greenhouse gas emissions referred to in points (1)(e)(i) to (iii) of Annex III to Regulation (EU) 2016/1011 of the European Parliament and of the Council⁶;
- (2) ‘greenhouse gas (GHG) emissions’ means greenhouse gas emissions as defined in Article 3, point (1), of Regulation (EU) 2018/842 of the European Parliament and of the Council⁷;
- (3) ‘weighted average’ means a ratio of the weight of the investment by the financial market participant in an investee company in relation to the enterprise value of the investee company;
- (4) ‘enterprise value’ means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;
- (5) ‘companies active in the fossil fuel sector’ means companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council⁸;
- (6) ‘renewable energy sources’ means renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas;
- (7) ‘non-renewable energy sources’ means energy sources other than those referred to in point (6);
- (8) ‘energy consumption intensity’ means the ratio of energy consumption per unit of activity, output or any other metric of the investee company to the total energy consumption of that investee company;

⁶ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

⁷ Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

⁸ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

- (9) 'high impact climate sectors' means the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council⁹;
- (10) 'protected area' means designated areas in the European Environment Agency's Common Database on Designated Areas (CDDA);
- (11) 'area of high biodiversity value outside protected areas' means land with high biodiversity value as referred to in Article 7b(3) of Directive 98/70/EC of the European Parliament and of the Council¹⁰;
- (12) 'emissions to water' means direct emissions of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council¹¹ and direct emissions of nitrates, phosphates and pesticides ;
- (13) 'areas of high water stress' means regions where the percentage of total water withdrawn is high (40-80%) or extremely high (greater than 80%) in the World Resources Institute's (WRI) Water Risk Atlas tool "Aqueduct";
- (14) 'hazardous waste and radioactive waste' means hazardous waste and radioactive waste;
- (15) 'hazardous waste' means hazardous waste as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council¹² ;
- (16) 'radioactive waste' means radioactive waste as defined in Article 3(7) of Council Directive 2011/70/Euratom¹³;
- (17) 'non-recycled waste' means any waste not recycled within the meaning of 'recycling' in Article 3(17) of Directive 2008/98/EC;
- (18) 'activities negatively affecting biodiversity-sensitive areas' means activities that are characterised by all of the following:
 - (a) those activities lead to the deterioration of natural habitats and the habitats of species and disturb the species for which a protected area has been designated;
 - (b) for those activities, none of the conclusions, mitigation measures or impact assessments adopted pursuant to any of the following Directives or national provisions or international standards that are equivalent to those Directives have been implemented:

⁹ Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains Text with EEA relevance (OJ L 393, 30.12.2006, p. 1–39).

¹⁰ Directive 98/70/EC of the European Parliament and of the Council of 13 October 1998 relating to the quality of petrol and diesel fuels and amending Council Directive 93/12/EEC (OJ L 350, 28.12.1998, p. 58).

¹¹ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1).

¹² Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives (OJ L 312, 22.11.2008, p. 3).

¹³ Council Directive 2011/70/Euratom of 19 July 2011 establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste (OJ L 199, 2.8.2011, p. 48).

- (i) Directive 2009/147/EC of the European Parliament and of the Council¹⁴;
 - (ii) Council Directive 92/43/EEC¹⁵;
 - (iii) an Environmental Impact Assessment (EIA) as defined in Article 1(2), point (g), of Directive 2011/92/EU of the European Parliament and of the Council¹⁶;
 - (iv) for activities located in third countries, conclusions, mitigation measures or impact assessments adopted in accordance with national provisions or international standards that are equivalent to the Directives and impact assessments listed in points (i), (ii) and (iii);
- (19) ‘biodiversity-sensitive areas’ means Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas (‘KBAs’), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139¹⁷;
 - (20) ‘threatened species’ means endangered species, including flora and fauna, listed in the European Red List or the IUCN Red List, as referred to in Section 7 of Annex II to Delegated Regulation (EU) 2021/2139;
 - (21) ‘deforestation’ means the temporary or permanent human-induced conversion of forested land to non-forested land;
 - (22) ‘UN Global Compact principles’ means the ten Principles of the United Nations Global Compact;
 - (23) ‘unadjusted gender pay gap’ means the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees;
 - (24) ‘board’ means the administrative, management or supervisory body of a company;
 - (25) ‘human rights policy’ means a policy commitment approved at board level on human rights that the economic activities of the investee company shall be in line with the UN Guiding Principles on Business and Human Rights;
 - (26) ‘whistleblower’ means ‘reporting person’ as defined in Article 5(7) of Directive (EU) 2019/1937 of the European Parliament and of the Council¹⁸;

¹⁴ Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (OJ L 20, 26.1.2010, p. 7).

¹⁵ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7).

¹⁶ Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (OJ L 026, 28.1.2012, p. 1).

¹⁷ Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (OJ L 442, 9.12.2021, p. 1).

¹⁸ Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (OJ L 305, 26.11.2019, p. 17).

- (27) ‘inorganic pollutants’ means emissions within or lower than the emission levels associated with the best available techniques (BAT-AEL) as defined in Article 3, point (13) of Directive 2010/75/EU of the European Parliament and of the Council¹⁹, for the Large Volume Inorganic Chemicals- Solids and Others industry;
- (28) ‘air pollutants’ means direct emissions of sulphur dioxides (SO₂), nitrogen oxides (NO_x), non-methane volatile organic compounds (NMVOC), and fine particulate matter (PM_{2.5}) as defined in Article 3, points (5) to (8), of Directive (EU) 2016/2284 of the European Parliament and of the Council²⁰, ammonia (NH₃) as referred to in that Directive and heavy metals (HM) as referred to in Annex I to that Directive;
- (29) ‘ozone depletion substances’ mean substances listed in the Montreal Protocol on Substances that Deplete the Ozone Layer.

For the purposes of this Annex, the following formulas shall apply:

- (1) ‘GHG emissions’ shall be calculated in accordance with the following formula:

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope}(x) \text{ GHG emissions}_i \right)$$

- (2) ‘carbon footprint’ shall be calculated in accordance with the following formula:

$$\frac{\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1, 2 and 3 GHG emissions}_i \right)}{\text{current value of all investments (€M)}}$$

- (3) ‘GHG intensity of investee companies’ shall be calculated in accordance with the following formula:

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i} \right)$$

- (4) ‘GHG intensity of sovereigns’ shall be calculated in accordance with the following formula:

¹⁹ Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (OJ L 334, 17.12.2010, p. 17).

²⁰ Directive (EU) 2016/2284 of the European Parliament and of the Council of 14 December 2016 on the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC (Text with EEA relevance), OJ L 344, 17.12.2016, p. 1–31

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{The country's Scope 1, 2 and 3 GHG emissions}_i}{\text{Gross Domestic Product}_i(\text{€M})} \right)$$

(5) 'inefficient real estate assets' shall be calculated in accordance with the following formula:

$$\frac{((\text{Value of real estate assets built before 31/12/2020 with EPC of C or below}) + (\text{Value of real estate assets built after 31/12/2020 with PED below NZEB in Directive 2010/31/EU}))}{\text{Value of real estate assets required to abide by EPC and NZEB rules}}$$

For the purposes of the formulas, the following definitions shall apply:

- (1) 'current value of investment' means the value in EUR of the investment by the financial market participant in the investee company;
- (2) 'enterprise value' means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;
- (3) 'current value of all investments' means the value in EUR of all investments by the financial market participant;
- (4) 'nearly zero-energy building (NZEB)', 'primary energy demand (PED)' and 'energy performance certificate (EPC)' shall have the meanings given to them in paragraphs 2, 5 and 12 of Article 2 of Directive 2010/31/EU of the European Parliament and of the Council²¹.

²¹ Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast) (OJ L 153, 18.6.2010, p. 13)